

ORIGINAL

NEW APPLICATION



0000103126

BEFORE THE ARIZONA CORPORATION COMMISSION

2009 OCT 20 P 2:59

Arizona Corporation Commission

COMMISSIONERS

AZ CORP COMMISSION  
DOCKET CONTROL

**DOCKETED**

OCT 20 2009

KRISTIN K. MAYES, Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

DOCKETED BY

YK

In the matter of:

DOCKET NO. S-20707A-09-0498

MICHAEL T. BELL, a single man

**NOTICE OF OPPORTUNITY FOR HEARING  
REGARDING PROPOSED ORDER TO  
CEASE AND DESIST, ORDER FOR  
RESTITUTION, FOR ADMINISTRATIVE  
PENALTIES AND FOR OTHER  
AFFIRMATIVE ACTION**

SHAWN R. SALAZAR, a married man

ADAMAS INVESTMENTS, LLC, a Nevada  
limited liability company

Respondents.

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**

**EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents MICHAEL T. BELL, a single man, SHAWN R. SALAZAR, a married man, and ADAMAS INVESTMENTS, LLC, a Nevada limited liability company, have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

**I.**

**JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

**II.**

**RESPONDENTS**

2. MICHAEL T. BELL ("BELL") may be referred to as "RESPONDENT BELL."  
BELL is a single man residing in Scottsdale, Arizona.

3. SHAWN R. SALAZAR ("SALAZAR") may be referred to as "RESPONDENT SALAZAR." SALAZAR is a married man residing in Oakland, California.

4. BELL and SALAZAR may be referred to, individually or collectively, as "RESPONDENTS."

5. ADAMAS INVESTMENTS, LLC ("ADAMAS INVESTMENTS") is a Nevada limited liability company which was formed on June 22, 2005, and whose principal place of business is Scottsdale, Arizona. Pursuant to a search of Nevada Secretary of State records, ADAMAS INVESTMENTS is currently in default for failing to file an annual list of officers.

6. BELL and SALAZAR are the sole Managers of ADAMAS INVESTMENTS.

**III.**

**FACTS**

7. BELL and SALAZAR formed ADAMAS INVESTMENTS for the primary purpose of financing a loan to AXIOM TRADING LTD, LLC ("AXIOM TRADING").

8. The promissory note between ADAMAS INVESTMENTS and AXIOM TRADING stated that AXIOM TRADING was a Texas limited liability company. However, AXIOM TRADING is not a registered trade name with the Texas Secretary of State. Upon information and belief, AXIOM TRADING is not organized as an entity in any jurisdiction.

9. At all relevant times, Edward "Carlos" St. Mary II ("ST. MARY") conducted business under the name AXIOM TRADING.

10. Between July 2005 and February 2007, BELL and SALAZAR raised at least \$1.2 million on behalf of ADAMAS INVESTMENTS from about 20 investors who resided in Arizona, California, Nevada and New Mexico.

1           11. The majority of investors in ADAMAS INVESTMENTS were BELL and  
2 SALAZAR'S friends and family.

3           12. BELL and SALAZAR raised funds on behalf of ADAMAS INVESTMENTS by  
4 offering and selling securities, in the form of promissory notes, to investors.

5           13. BELL and SALAZAR represented to investors that the funds raised would be used  
6 by ADAMAS INVSTMENTS to finance a loan to AXIOM TRADING for the purchase of precious  
7 gemstones, including diamonds.

8           14. BELL and SALAZAR told offerees and investors that the gemstones would later be  
9 resold to AXIOM TRADING'S retail and wholesale customers.

10          15. ADAMAS INVESTMENTS filed a Form D with the Securities and Exchange  
11 Commission for the investment. A copy of the Form D was filed with the California Department of  
12 Corporations, the Nevada Secretary of State and the Division.

13          16. BELL told offerees and investors that the minimum investment in ADAMAS  
14 INVESTMENTS was \$25,000.

15          17. ADAMAS INVESTMENTS entered into promissory notes with each investor for  
16 the amount invested. The promissory note was signed by BELL as a Manager of ADAMAS  
17 INVESTMENTS.

18          18. Each promissory note promised a return of 10% or 18%. The percentage of the  
19 return varied depending upon the duration of the investment. A 10% return was promised for a 3  
20 month investment in ADAMAS INVESTMENTS while 18% was promised for a 6 month  
21 investment.

22          19. In most instances, investors tendered their investments to BELL.

23          20. BELL and SALAZAR pooled the funds they raised from investors.

24          21. In one instance, BELL and ADAMAS INVESTMENTS guaranteed an investor a  
25 return of 10% for his investment.  
26

22. On the same occasion, BELL and ADAMAS INVESTMENTS represented to the same investor that the promissory note between ADAMAS INVESTMENTS and AXIOM TRADING was purportedly secured with gemstones and insured up to \$5 million.

23. ADAMAS INVESTMENTS did not loan all of the funds raised from investors to AXIOM TRADING as BELL and SALAZAR had represented to ADAMAS INVESTMENTS' investors.

24. In particular, BELL and SALAZAR each received at least \$80,000 of investor funds after BELL and SALAZAR represented to ADAMAS INVESTMENTS' investors that they would not be compensated as Managers of ADAMAS INVESTMENTS until after the investors were repaid.

25. To date, ADAMAS INVESTMENTS has not fully repaid all of its investors.

#### IV.

**VIOLATION OF A.R.S. § 44-1991**

**(Fraud in Connection with the Offer or Sale of Securities)**

26. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a) BELL and SALAZAR failed to disclose to later investors that some earlier investors in ADAMAS INVESTMENTS were not repaid their investments in 3 or 6 months as their promissory notes stated.

b) In at least one instance, BELL and ADAMAS INVESTMENTS misrepresented to an investor that his investment was guaranteed a return of 10%, when in fact the investor has not received a return on his investment;

c) In addition, BELL and ADAMAS INVESTMENTS misled an investor to believe that his investment was secured with collateral, when in fact there was no collateral to secure the investment;

d) In at least one instance, BELL and ADAMAS INVESTMENTS misrepresented to an investor that the gemstones purchased with investor funds were insured, when in fact there is no evidence that gemstones were purchased with investor funds; and

e) BELL, SALAZAR and ADAMAS INVESTMENTS misled investors to believe that BELL and SALAZAR would not be compensated until after the company had repaid its investors, when in fact ADAMAS INVESTMENTS expended more than \$80,000 each on behalf of BELL and SALAZAR.

27. This conduct violates A.R.S. § 44-1991.

## V.

### REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act pursuant to A.R.S. § 44-2032;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036; and

4. Order any other relief that the Commission deems appropriate.

## VI.

## HEARING OPPORTUNITY

Each respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If a Respondent requests a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shaylin A. Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov). Requests should be made as early as possible to allow time to arrange the accommodation.

## VII.

## ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if a Respondent requests a hearing, the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from

1 Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at  
2 <http://www.azcc.gov/divisions/hearings/docket.asp>.

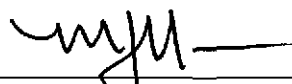
3 Additionally, the answering respondent must serve the Answer upon the Division.  
4 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-  
5 delivering a copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix,  
6 Arizona, 85007, addressed to Rachel F. Strachan, Attorney.

7 The Answer shall contain an admission or denial of each allegation in this Notice and the  
8 original signature of the answering respondent or respondent's attorney. A statement of a lack of  
9 sufficient knowledge or information shall be considered a denial of an allegation. An allegation  
10 not denied shall be considered admitted.

11 When the answering respondent intends in good faith to deny only a part or a qualification  
12 of an allegation, the respondent shall specify that part or qualification of the allegation and shall  
13 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

14 The officer presiding over the hearing may grant relief from the requirement to file an  
15 Answer for good cause shown.

16  
17 Dated this 20 day of October, 2009.

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21 Matthew J. Neubert  
22 Director of Securities

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